

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of
THE COMMONWEALTH OF PUERTO RICO, *et al.*,
Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS
(Jointly Administered)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of
PUERTO RICO SALES TAX FINANCING
CORPORATION (“COFINA”),
Debtor.

PROMESA
Title III

No. 17 BK 3284-LTS

**JOINT REPORT OF MOVANT AMBAC ASSURANCE CORPORATION AND
RESPONDENTS FEDERAL OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO AND PUERTO RICO FISCAL AGENCY AND FINANCIAL
ADVISORY AUTHORITY WITH RESPECT TO MOTION FOR ENTRY OF ORDER
AUTHORIZING DISCOVERY UNDER BANKRUPTCY RULE 2004**

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States Magistrate Judge Judith Gail Dein:

Movant Ambac Assurance Corporation (“Ambac”) and Respondents the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), the Commonwealth of Puerto Rico (the “Commonwealth”), the Puerto Rico Sales Tax Financing Corporation (“COFINA”) (the Commonwealth and COFINA are together, the “Debtors”), by and through the Oversight Board as the Debtors’ representative pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”),² the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” and together with the Oversight Board and the Debtors, the “Respondents”),³ respectfully submit this joint report in response to the Court’s December 21, 2017 Order [ECF No. 2144].

On November 28, 2017, Ambac filed a Rule 2004 Motion seeking from the Oversight Board, AAFAF, the Commonwealth, and COFINA information that Ambac asserts is necessary for Ambac to fully understand how the SUT revenues and their collection have been, and will be, affected by Hurricane Maria (the “SUT Rule 2004 Motion”) [ECF No. 1873]. The SUT Rule 2004 Motion contained 7 requests. On December 20, 2017, Respondents expressed a willingness to produce documents responsive to certain of the requests. The parties agreed to meet and confer regarding the scope of the requests. The December 21, 2017 Order directed the Parties to submit a joint status report on or before January 5, 2018.

On December 26, 2017 and January 4, 2018, the Parties met and conferred to discuss the SUT Rule 2004 Motion. While the Parties continue to define the scope of the requests and determine what information is available, Respondents have agreed to produce data available from the Department of Treasury, as described further below.

² PROMESA has been codified in 48 U.S.C. §§ 2101–2241.

³ The Movants and Respondents are collectively referred to as the “Parties.”

1. During the initial meet and confer held on December 26, 2017, Movant outlined the information it is seeking each request in the SUT Rule 2004 Motion.

2. Respondents acknowledged that they understood Ambac's requests and were in the process of determining what information was available.

3. On January 4, 2018, the Parties held another meet and confer, where Respondents reported that they would produce the following information:

- Raw data on aggregate monthly SUT collections for the time period after Hurricane Maria (*i.e.*, late September through December);
- Raw aggregate data on daily SUT collections for the time period after Hurricane Maria;
- SUT forecasts and estimates for previous fiscal years (2016-2018);
- Schedules of SUT collection transactions that were carried out after Hurricane Maria, including data on the numbers of fiscal terminals that were working;
- Estimates on the impact of the SME Executive Order;
- Publications issued by Treasury to merchants regarding SUT collection and remittance after Hurricane Maria;
- Daily information from Banco Popular regarding the flow of the SUT, including transfers to COFINA;
- Schedules regarding SUT collection data from the top 25 retailers (identified by SIC code⁴);
- Narrative descriptions of the data collected and publications issued after Hurricane Maria, including an account of the operation of the electronic collection system;
- Projections/data regarding SUT revenues and drivers thereof that will become part of the revised fiscal plan.⁵

4. Ambac appreciates the efforts of the Commonwealth, COFINA and the Oversight Board to provide it with responsive information. Ambac reserves the right to request additional information, including, in particular more detailed disaggregated SUT collection information to

⁴ The Standard Industrial Classification ("SIC") is a system for classifying industries by a four-digit code.

⁵ Respondents will produce documents or information related to projections in the revised fiscal plan currently under development in accordance with the protocols, privileges and any other applicable protections applicable to materials produced, whether voluntarily or pursuant to court order, in connection with a revised certified fiscal plan for the Commonwealth of Puerto Rico.

the extent the aggregate data is insufficient for Ambac to analyze the impact of the Hurricane and the drivers of any changes to the SUT.

5. Respondents reserve all rights to assert applicable privileges and other protections, including the deliberative process privilege, in regard to any documents, communications, or other information requested by Ambac.

6. The Parties continue to have conversations directed at making progress on the open issues relating to the requests. To the extent that the Parties are unable to reach agreement on any legal issues that may arise, the Parties expect that the issues shall be addressed through a procedure similar to the one established by this Court for the Renewed Rule 2004 Motions.

7. The Parties will provide an update to the Court prior to or at the February 7 Omnibus Hearing.

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Dated: January 5, 2018
San Juan, Puerto Rico

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